



# Independent Stock Idea

March 31, 2009

rating: hold  
s&p 500: 788

## CNOOC Limited (CEO) 13% Volume Growth Projected for 2009

<i>Symbol</i>	CEO	<i>Ebitda Next Twelve Months ending 3/31/10 (US\$mm)</i>	7,300
<i>Rating</i>	Hold	<i>North American Natural Gas/Ebitda (%)</i>	0
<i>Price (US\$/sh)</i>	99.29	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	3/30/09	<i>Adjusted Reserves/Production NTM</i>	7.6
<i>Shares (mm)</i>	448	<i>EV/Ebitda</i>	6.1
<i>Market Capitalization (US\$mm)</i>	44,500	<i>PV/Ebitda</i>	8.3
<i>Debt (US\$mm)</i>	0	<i>Undeveloped Reserves (%)</i>	58
<i>Enterprise Value (EV) (US\$mm)</i>	44,500	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	31.04
<i>Present Value (PV) (US\$mm)</i>	60,500	<i>Present Value Proven Reserves(US\$/boe)</i>	24.06
<i>Net Present Value (US\$/share)</i>	135	<i>Present Value Proven Reserves(US\$/mcf)</i>	4.01
<i>Debt/Present Value</i>	0.00	<i>Earnings Next Twelve Months (US\$/sh)</i>	7.27
<i>McDep Ratio - EV/PV</i>	0.74	<i>Price/Earnings Next Twelve Months</i>	14
<i>Dividend Yield (%/year)</i>	5.2	<i>Indicated Annual Dividend (US\$/sh)</i>	5.16
Note: Estimated cash flow and earnings tied to one-year futures prices for oil and natural gas.			
Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.			
Estimated present value presumes a long-term price for oil of US\$75 a barrel and natural gas, \$10 a million btu.			
The Peoples Republic of China holds 66% of the outstanding shares.			
For historical research on CEO since 2001 see <a href="http://www.mcdep.com/4ceo.htm">http://www.mcdep.com/4ceo.htm</a>			

### Summary and Recommendation

Estimated Net Present Value (NPV) of US\$135 a share is 36% higher than stock price for no-debt, hold-rated **CNOOC Limited (CEO)**. Released today, half-yearly results displayed lower unlevered cash flow (Ebitda) driven by crude oil price. Dampened by diminished excise tax, lower price for crude oil also leads to lower cash flow (Ebitda) for 2009 (see tables Quarterly Operations and Half-Yearly Financial Results). Attractive 13% volume growth in 2009 differentiates CEO from most large producers. Though revisions because of price reduced reserves slightly at year end 2008, there was no impact on our estimate of NPV (see table Functional Cash Flow and Present Value). Pointing in the direction of oil price that would spark stock price gains, futures prices for the next six years averaged US\$67 a barrel recently (see charts Six-Year Commodity Price Meter and Six-Year and One-Year Natural Gas and Oil Futures). CEO stock price is close to penetrating its 200-day average making it a candidate to lead the industry in confirming a new uptrend.

Kurt H. Wulff, CFA



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CNOOC Limited									
Quarterly Operations									
	Q4	Q3	Q4	Year	Q1E	Q2E	Q3E	Year	Twelve
	12/31/07	9/30/08	12/31/08	2008	3/31/09	6/30/09	9/30/09	2009E	Months E
									6/30/10
<b>Volume</b>									
Natural gas (bcf)	50	62	64	239	63	65	65	258	267
Natural Gas (mmcf)	543	679	700	654	700	710	710	708	731
Days	92	92	92	366	90	91	92	365	365
Oil (mmb)	33	40	42	155	41	43	46	178	190
Oil (mbd)	363	431	460	423	452	469	496	487	521
Total gas & oil (mmboe)	42	50	53	195	51	53	56	221	235
Total gas & oil (mbd)	453	544	577	532	569	588	614	605	643
<b>Price</b>									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	6.97	10.25	6.95	9.04	4.90	3.78	4.10	4.41	5.06
Company	3.36	3.83	4.13	3.83	4.21	4.30	4.38	4.34	4.52
Oil (\$/bbl)									
WTI Cushing	90.67	117.99	58.45	99.59	42.32	49.01	53.00	50.11	57.04
Company	80.35	106.94	50.38	89.39	37.66	43.62	47.17	44.90	50.81
Total gas & oil (\$/mcf)	11.39	14.91	7.53	12.63	5.85	6.67	7.19	6.87	7.72
<b>Revenue (\$mm)</b>									
Natural Gas	168	239	266	917	265	278	286	1,121	1,206
Oil	2,681	4,240	2,132	13,844	1,532	1,863	2,151	7,976	9,663
Total	2,848	4,480	2,398	14,761	1,797	2,140	2,437	9,097	10,868
RMB/\$	7.43	6.84	6.84	6.95	6.84	6.84	6.84	6.84	6.84
<b>Revenue (RMB)</b>									
Natural Gas	1,248	1,636	1,819	6,362	1,815	1,899	1,958	7,670	8,246
Oil	19,925	29,004	14,583	96,236	10,479	12,742	14,713	54,560	66,098
Total	21,172	30,641	16,403	102,598	12,294	14,641	16,671	62,230	74,345

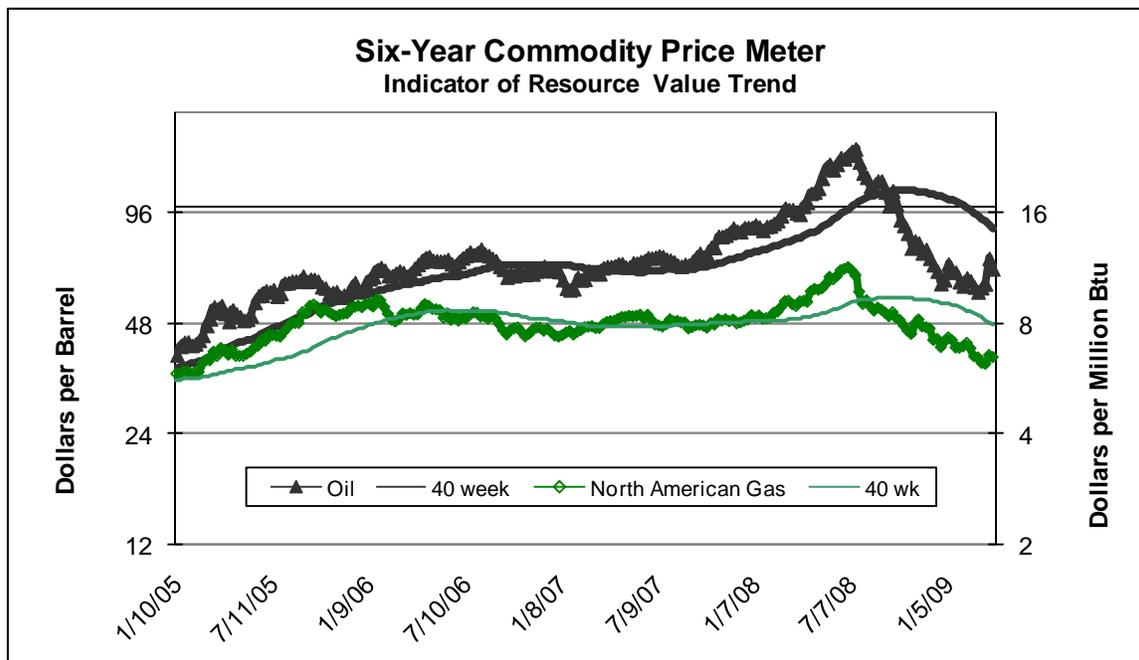
CNOOC Limited									
Half-Year Financial Results									
	H2	Year	H1	H2	Year	H1E	H2E	Year	Twelve
	12/31/07	2007	6/30/08	12/31/08	2008	6/30/09	12/31/09	2008E	Months
									12/31/09
<b>Revenue (mmRMB)</b>									
Natural Gas (from Q table)	2,663	5,136	2,906	3,456	6,362	3,714	3,956	7,670	8,246
Oil (from Q table)	37,402	68,326	52,648	43,588	96,236	23,221	31,339	54,560	66,098
Other	(250)	(425)	(1,091)	(676)	(1,767)	-	-	-	-
Total	39,815	73,037	54,464	46,367	100,831	26,936	35,294	62,230	74,345
<b>Expense</b>	10,157	15,659	12,775	15,523	28,298	8,889	11,647	20,536	24,534
<b>Ebitda</b>	29,658	57,378	41,689	30,844	72,533	18,047	23,647	41,694	49,811
Exploration	2,211	3,432	1,342	3,939	5,281	3,939	3,939	7,877	7,877
Deprec., Deplet., & Amort.	3,838	7,374	4,350	5,059	9,409	5,059	5,059	10,117	10,117
<b>Ebit</b>	23,609	46,572	35,997	21,847	57,844	9,050	14,650	23,700	31,817
Interest	-	-	-	-	-	-	-	-	-
<b>Ebt</b>	23,609	43,997	35,997	21,847	57,844	9,050	14,650	23,700	31,817
Income Tax	6,590	12,052	8,229	5,276	13,505	2,715	4,395	7,110	9,545
<b>Net Income</b>	17,019	31,945	27,768	16,571	44,339	6,335	10,255	16,590	22,272
Shares (millions)	44,787	44,368	44,787	44,787	44,787	44,787	44,787	44,787	44,787
Per share (RMB)	0.38	0.72	0.62	0.37	0.99	0.14	0.23	0.37	0.50
Ebitda Margin	74%	79%	77%	67%	72%	67%	67%	67%	67%
Tax Rate	28%	27%	23%	24%	23%	30%	30%	30%	30%



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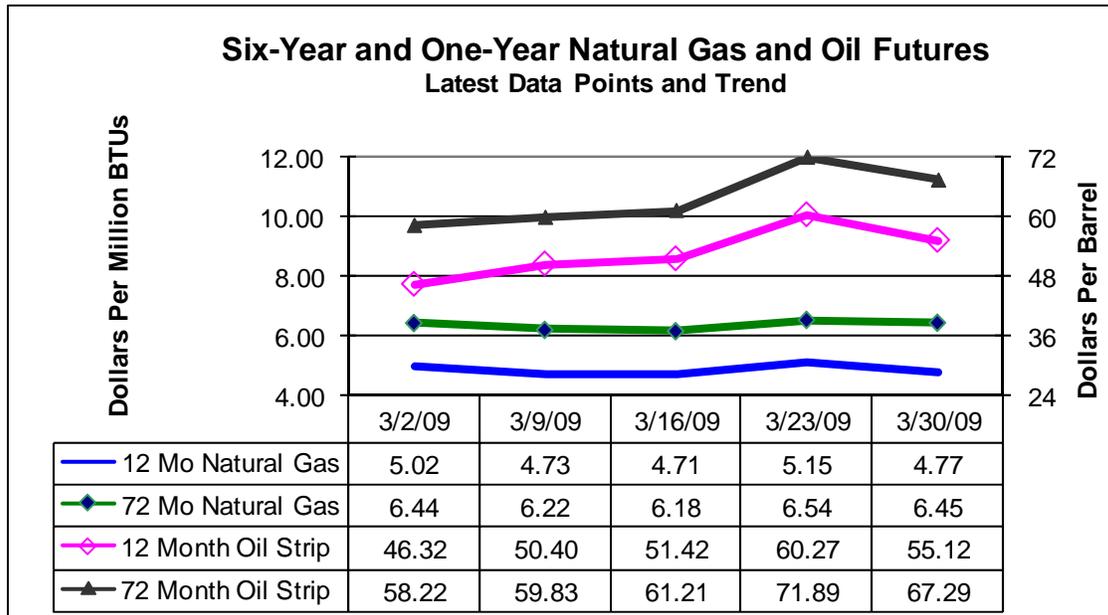
CNOOC Limited					
Functional Cash Flow and Present Value					
	NTM Ebitda	Adjusted	PV/	Present	
	(US\$mm)	R/P	Ebitda	Value	
				(US\$mm)	
Natural Gas	810	15.4	8.6	7,000	12%
Oil	6,490	5.8	8.2	53,500	88%
	7,300	7.6	8.3	60,500	100%
Debt (US\$mm)					-
Net Present Value (US\$mm)					60,500
Shares (mm)					448
Net Present Value - Standard Estimate (US\$/sh)					135
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					136





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